

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 074013

R 101655Z MAR 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7094
INFO AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
USMISSION IAEA VIENNA
USMISSION USBERLIN
AMCONSUL BOMBAY

C O N F I D E N T I A L SECTION 01 OF 02 BONN 04019

EXDIS

E.O. 11652: GDS
TAGS: TECH, PARM, GW
SUBJECT: BORSIG CASE

REF: A. BONN 03755; B. BONN 03232; C. PARIS 05432;
D. USBERLIN 0336; E. BONN 02922

1. SUMMARY: FRG TECHNOLOGY AND ECONOMIC MINISTRY
OFFICIALS INFORMED EMBASSY'S S&T COUNSELOR THAT THEIR
ANALYSIS OF SPECIFICATIONS OF BORSIG COMPRESSORS TO BE
EXPORTED TO INDIA FOR HEAVY WATER PLANT HAS DETERMINED
THAT THESE COMPRESSORS ARE NOT RPT NOT ESPECIALLY
DESIGNED OR PREPARED (EDP)FOR SERVICE IN SUCH A PLANT.
THEY EMPHASIZED THAT THIS BORSIG CASE MUST NOT RPT NOT
BE TREATED AS UNIQUE BECAUSE OF WEST BERLIN'S SPECIAL
STATUS AND URGED THAT EXPERTS MEET ASAP, EITHER BI-
LATERALLY OR IN NUCLEAR SUPPLIERS' GROUP (NSG) CONTEXT
TO SEEK AN APPROPRIATE SOLUTION TO THE GENERAL PROBLEM
OF SAFEGUARDS ON COMPRESSORS AND SPECIALIZED EQUIPMENT.
UK SCIENCE COUNSELOR HAS DRAFTED STATEMENT FOR COORDI-
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NATED ORAL DEMARCHE TO FRG AND IS PRESSING FOR TRIPAR-

TITE MEETING WITH FRENCH AND US TO APPROVE FINAL TEXT.
ACTION REQUESTED: SEE REFTELS AND PARA 13 BELOW.
END SUMMARY.

2. AS ANTICIPATED, MEETING MENTIONED PARA 4, REF A, PROVED TO BE ANOTHER FRANK CONFRONTATION WITH OFFICIALS FROM FRG MINISTRIES FOR RESEARCH AND TECHNOLOGY AND FOR ECONOMIC AFFAIRS. FRG REPS EMPHASIZED THAT THEY HAD CONSIDERED POINTS MADE BY USG VERY CAREFULLY AND SERIOUSLY AND HAVE EXPENDED CONSIDERABLE EFFORT IN EXAMINATION OF TECHNICAL DATA TO DETERMINE WHETHER BORSIG COMPRESSORS COULD BE IDENTIFIED-- ON BASIS THEIR SPECIFICATIONS--AS "EDP" FOR SERVICE IN A HEAVY WATER PLANT. THEIR REVIEW HAD SHOWN THAT THESE COMPRESSORS ARE NOT RPT NOT EDP. FRG REPS PRESENTED A NON-PAPER ON THIS POINT WITH DATA SIMILAR TO THOSE FORWARDED IN REF D. NON-PAPER HAS BEEN DISCUSSED WITH FRG FOREIGN OFFICE.

3. FRG REPS STRONGLY EMPHASIZED THAT ANY SOLUTION TO THIS PROBLEM MUST BE ACCEPTABLE TO EVERYONE. THIS BORSIG CASE MUST NOT RPT NOT BE SOLVED ON ANY BASIS STEMMING FROM WEST BERLIN'S UNIQUE POSITION.

4. FRG REPS URGED THAT EXPERT DISCUSSIONS, EITHER BILATERAL OR NSG, BE HELD ASAP. THEY ASSURED EMBOFF THAT FRG WAS STRONG SUPPORTER OF ANY AND ALL SAFEGUARDS AND NUCLEAR EXPORT CONTROL MEASURES WHICH COULD BE APPLIED EFFECTIVELY AND WITHOUT ECONOMIC DISADVANTAGE. IF RELEVANT TECHNICAL CRITERIA CAN BE ESTABLISHED WHICH PERMIT IDENTIFICATION OF "EDP"COMPRESSORS, AND IF ALL NATIONS APPLY THESE, FRG WILL CERTAINLY DO SO AS WELL.

5. FRG REPS ASKED FOR INFORMATION ABOUT US NUCLEAR EXPORT CONTROL MEASURES THAT APPLY TO COMPRESSORS. IF, AS THEY UNDERSTAND, AMERICAN FIRMS MANUFACTURE 40-50 PERCENT OF HYDROGEN SULFIDE RESISTANT COMPRESSORS (SEE REF D AND FRG NON-PAPER) HOW DOES US CONTROL THE EXPORT OF THIS EQUIPMENT TO PREVENT ITS USE IN HEAVY
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WATER PLANTS WITHOUT SAFEGUARDS?

6. FRG REPS AGAIN EMPHASIZED THAT GERMANY DOES NOT RPT NOT HAVE ANY REGULATIONS FOR EXPORT CONTROLS ON COMPRESSORS. IF AN NSG CONSENSUS EXISTS THAT SUCH EQUIPMENT MUST BE CONTROLLED, GERMANY MUST CONSULT ALL NATIONS WHICH DO SO AND ADOPT SIMILAR MEASURES. FRG WOULD BE RELUCTANT TO START THIS PROCESS, PARTICULARLY

IF IT WERE TO REQUIRE CONTROLS ON HALF OF ALL COMPRESSORS PRODUCED BECAUSE NO SPECIFIC CRITERIA COULD BE DEVELOPED TO IDENTIFY "EDP" COMPRESSORS FOR HEAVY WATER SERVICE.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 074135

R 101655Z MAR 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7095
INFO AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
USMISSION IAEA VIENNA
USMISSION USBERLIN
AMCONSUL BOMBAY

C O N F I D E N T I A L SECTION 02 OF 02 BONN 04019

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7. FRG REPS REJECTED "END USE" CRITERIA ON. THIS WOULD BE IMPOSSIBLE TO ENFORCE, ENCOURAGE CONCEALMENT AND FALSE STATEMENTS AND WAS IN ANY EVENT INCOMPATIBLE WITH THE CONVENTIONAL COMMERCIAL PRACTICE USED BY THE SMALL ENGINEERING FIRMS WHICH USUALLY DO NOT REVEAL THEIR CUSTOMERS' IDENTITY.

8. FRG REPS CLAIMED THAT FRENCH IN LONDON NSG MEETING HAD LIMITED THEIR SUPPORT FOR EXPORT CONTROLS ON EQUIPMENT TO THOSE MEASURES WHICH COULD BE ENFORCED BY CUSTOMS OFFICIALS.

9. FRG REPS ALSO EMPHASIZED THAT EXPORT OF KNOW-HOW TRIGGERS SAFEGUARDS ONLY IF KNOW-HOW REQUIRED FOR THE

OPERATION OF THE ENTIRE PLANT IS TRANSFERRED. NOTE:
THIS POINT HAD NEVER COME UP IN PRIOR US-FRG DISCUSSIONS
.WE ASSUME THAT IT IS AN ADVANCE REJECTION OF ONE OF UK'S
ARGUMENTS (SEE PARA 2, BONN 00730, AND BELOW).

10. FRG REPS ARGUED, AS THEY HAVE OFTEN DONE BEFORE IN
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THIS AND RELATED CASES, THAT GERMAN INDUSTRY MUST HAVE
EXPLICIT CRITERIA TO GUIDE THEIR PRODUCTION AND EXPORT
PRACTICES. GENERALIZED CONCEPTS AND "MINIMUM" CRITERIA
SERVE NO USEFUL PURPOSE IN THIS CONTEXT.

11. FRG REPS CONCLUDED FORCEFUL AND CAREFULLY PREPARED
PRESENTATION BY NOTING NEWSPAPER REPORTS THAT CANADA
HAS RESUMED ITS NUCLEAR COOPERATION WITH INDIA. THEY
ASSUMED--AND FEARED--THAT CANADA WILL NOW COMPETE WITH
BORSIG FOR THIS COMPRESSOR ORDER ONCE HELD BY ALLIS
CHALMERS, CANADA AND THAT THE GOC WILL SUPPORT ITS OWN
INDUSTRY TO RESOLVE THE COMPANY'S SUIT AGAINST THE
GOVERNMENT. FRG WILL VIEW THIS AS SERIOUS PROBLEM
SHOULD IT EMERGE AS RESULT OF LONG DELAY IN ACTION ON
BORSIG'S EXPORT LICENSE REQUEST.

12. AS NOTED IN REF C. AND E., BRITISH AND FRENCH ARE
NOW INVOLVED. UK SCIENCE COUNSELOR HAS DRAFTED TWO PAGE
ORAL STATEMENT FOR TRIPARTITE DEMARCHE AND IS SE-
EING APPROVAL FOR HIS DRAFT IN PREPARATION FOR RECOM-
MENDATIONS TO THREE GOVERNMENTS AS FOLLOW-UP TO REF E.
EMBASSY WILL REPORT FURTHER AFTER INITIAL CONSULTATIONS.
THE FIRST UK DRAFT DOES, HOWEVER, OVER-EMPHASIZE FACT
THAT BERLIN IS SCENE OF THE ACTION (THUS THE "IMPLIED
THREAT" OF ALLIED VETO IS SOMEWHAT MORE EXPLICIT THAN
WE WOULD FAVOR). FURTHERMORE THE REASONS FOR TRIPARTITE
POSITION THAT COMPRESSORS REQUIRE SAFEGUARDS ASSURANCES
INCLUDE ARGUMENTATION THAT THESE COMPRESSORS ARE
"ESSENTIAL AND SIGNIFICANT" PART OF HEAVY WATER PLANT
AND THAT THEIR SALE INVOLVES THE TRANSFER OF KNOW-HOW.
THUS, SAFEGUARDS ARE REQUIRED UNDER PART B,
PARA 3, OF WORKING GROUP REPORT (SEE BONN 00730).
ALTHOUGH DEPARTMENT HAS NEVER COMMENTED ON THIS UK
POSITION WE FEEL IT IS WEAK BECAUSE KNOW-HOW ASSOCIATED
WITH SALE OF COMPRESSORS IS NOT RPT NOT MAJOR PART OF
KNOW-HOW REQUIRED FOR PLANT OPERATION. NOTE THAT FRG
SEEMS TO BE REJECTING THIS ARGUMENT IN ADVANCE (SEE
PARA 9 ABOVE),

13. EMBASSY COMMENT: PRESSURE IS CLEARLY BUILDING UP
FOR ACTION ON BORSIG CASE--NOT ONLY FROM FRG AND BORSIG
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BUT FROM OUR ALLIES. WE RESTATED US POSITION IN
RESPONSE TO APPROACH REPORTED ABOVE AND COMMENTED THAT
FRG NON-PAPER DID NOT RPT NOT MENTION LEAK TIGHTNESS
AS CRITERION FOR OPERATION IN PURE HYDROGEN SULFIDE
(PARA 3, STATE 297403). URGENTLY NEED CURRENT US
VIEWS BEFORE PROCEEDING FURTHER. PERHAPS WE COULD LIE
LOW AND LET UK CARRY THE BALL (IN EFFORT TO AVOID THE
HEAT -SEE STATE 297934) BUT EMBASSY BELIEVES IT TOO
LATE FOR THIS TACTIC TO BE SUCCESSFUL.

14. APPRECIATE STATE 057953 WHICH RECEIVED AFTER FORE-
GOING DRAFTED WILL COMMENT IN SEPTTEL.
HILLENBRAND.

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